

DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON 25, D.C.



REPLY TO  
ATTN OF:

SUBJECT:

OSA-4642-65  
#1733

TO:

REPLY TO:  
Audit Liaison Office  
P. O. Box 8155  
S. W. Station  
Washington, D. C.

6 December 1965

SUBJECT: Review of ECP #1987-4  
Airborne Instrument Laboratory  
Deer Park, New York

TO : Contracting Officer

REF : AIL Proposal EMR 1987-4 dated 30 November 1965

1. A review has been made, to the extent deemed necessary, of the contractor's cost proposal to provide the capability of processing current NAV data formats and to increase the utility and flexibility of the NAV processing program. The review consisted of an evaluation of the contractor's estimating procedures together with an examination of the underlying data in support of the proposed quoting rates (labor, overhead, and general and administrative expense), pricing of material costs and travel.

2. A summary of the contractor's proposal and the auditor's recommendations are as follows:

	Per Contractor's Proposal	Auditor's Recom- mended Reduction	Ref Notes
Direct Labor - Administrative	\$ 2,190	\$	a
Direct Labor - Engineering	38,896		a
Direct Labor - Technicians	10,204		a
Engineering Burden 10 1/4%	53,342	1,026	b
Raw Materials & Purchased Parts	1,687		c
Travel and Subsistence	4,992		d
Overtime Premium	511		e
Subtotal	<u>\$111,822</u>	<u>\$1,026</u>	
G & A 7.5%	8,387	188	b
Total Costs	<u>\$120,209</u>	<u>\$1,214</u>	
Fee Requested 7.5%	<u>9,016</u>		f
TOTAL PROPOSAL	<u><u>\$129,225</u></u>		

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Ref. Notes:

a. Direct Labor

The proposed hourly rates used to extend the estimated labor hours are acceptable for the purpose of this report, since the combined average compares favorably with the average incurred hourly rates presently being experienced by the contractor on the 1975 program. The estimated labor hours are referred to for review by a qualified technical representative as to their reasonableness.

b. Engineering Burden and G & A

The quoting rates for burden and G & A are considered excessive compared to the current year to date incurred book rates. The contractor's computations and the auditor's recommendations are as follows:

	<u>Engineering Burden</u>	<u>G &amp; A</u>
Per Contractor - Base	\$51,290	\$111,822
Rate	104%	7.5%
Burden - A	\$53,342	\$ 8,387
Per Auditor - Base	\$51,290	\$110,796
Rate	102%	7.4%
Burden - B	\$52,316	\$ 8,199
Cost Questioned A-B	\$ 1,026	\$ 188

c. Raw Materials and Purchased Parts

The contractor's proposed material costs were verified to purchase orders placed with vendors and are deemed acceptable. The need for the particular terms are recommended for review by a technical representative.

d. Travel and Subsistence

The contractor has estimated twelve (12) three (3)-day trips to the West Coast (CPC) at \$416 each. For the purpose of this report the trip rate is considered reasonable but the number of trips are referred to for evaluation by a technical representative.

f. Fee Requested

The contractor has requested a fee based on 7.5% of the estimated costs.

3. The results of the review were discussed with the contractor's representative who reserved comment at this time.

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*WILLIAM F. EDWARDS*  
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Auditor General Representative (APL)